



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

Audit report information may be accessed at:

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Michigan
Office of the Auditor General
REPORT SUMMARY

Financial Audit

Including the Provisions of the Single Audit Act

Report Number:
15-100-05

Department of Civil Rights (DCR)

October 1, 2002 through September 30, 2004

Released:
June 2005

A Single Audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with State compliance requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.

Financial Schedules:

Auditor's Report Issued

We issued an unqualified opinion on DCR's financial schedules.

~ ~ ~ ~ ~

Internal Control Over Financial Reporting

We did not report any findings related to internal control over financial reporting.

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**Noncompliance and Other Matters
Material to the Financial Schedules**

We did not identify any instances of noncompliance or other matters applicable to the financial schedules that are required to be reported under *Government Auditing Standards*.

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Federal Awards:

Auditor's Reports Issued on Compliance

We audited one program as a major program and issued an unqualified opinion. The federal program audited as a major program is identified on the back of this summary.

~ ~ ~ ~ ~

Internal Control Over Major Programs

We did not report any findings related to internal control over major programs.

~ ~ ~ ~ ~

Required Reporting of Noncompliance

We did not identify any instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

~ ~ ~ ~ ~

Systems of Accounting and Internal Control:

We determined that DCR was in substantial compliance with Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws*.

~ ~ ~ ~ ~

We audited the following program as a major program:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Compliance Opinion</u>
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	Unqualified

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

Scott M. Strong, C.P.A., C.I.A.
Deputy Auditor General



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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

June 16, 2005

Valerie P. Simmons, J.D., Chair
Civil Rights Commission
and
Linda V. Parker, J.D., Director
Department of Civil Rights
Capitol Tower Building
Lansing, Michigan

Dear Ms. Simmons and Ms. Parker:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Department of Civil Rights (DCR) for the period October 1, 2002 through September 30, 2004.

This report contains our report summary; our independent auditor's report on the financial schedules; and the DCR financial schedules, notes to the financial schedules, and supplemental financial schedules. This report also contains our independent auditor's report on internal control over financial reporting and on compliance and other matters, our independent auditor's report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133, our schedule of findings and questioned costs, and a glossary of acronyms and terms.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink that reads "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General

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INDEPENDENT AUDITOR'S REPORT AND FINANCIAL SCHEDULES



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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on the Financial Schedules

Valerie P. Simmons, J.D., Chair
Civil Rights Commission
and
Linda V. Parker, J.D., Director
Department of Civil Rights
Capitol Tower Building
Lansing, Michigan

Dear Ms. Simmons and Ms. Parker:

We have audited the financial schedules of the Department of Civil Rights for the fiscal years ended September 30, 2004 and September 30, 2003, as identified in the table of contents. These financial schedules are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial schedules present only the revenues and the sources and disposition of authorizations for the Department of Civil Right's General Fund accounts, presented using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either the

Department or the State's General Fund in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenues and the sources and disposition of authorizations of the Department of Civil Rights for the fiscal years ended September 30, 2004 and September 30, 2003 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2005 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The schedule of expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other supplemental financial schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the Department's financial schedules referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial schedules and, in our opinion, is fairly stated, in all material respects, in relation to the financial schedules taken as a whole.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish". The signature is fluid and cursive, with a horizontal line extending from the left side of the first name.

Thomas H. McTavish, C.P.A.
Auditor General
February 23, 2005

DEPARTMENT OF CIVIL RIGHTS
Schedule of General Fund Revenues
Fiscal Years Ended September 30

	<u>2004</u>	<u>2003</u>
REVENUES		
From federal agencies:		
U.S. Equal Employment Opportunity Commission contract	\$ 698,753	\$ 716,300
U.S. Department of Housing and Urban Development contract	<u>524,760</u>	<u>561,729</u>
Total from federal agencies	\$ 1,223,513	\$ 1,278,029
 Miscellaneous	 <u>45,557</u>	 <u>46,613</u>
 Total Revenues	 <u><u>\$ 1,269,070</u></u>	 <u><u>\$ 1,324,643</u></u>

The accompanying notes are an integral part of the financial schedules.

DEPARTMENT OF CIVIL RIGHTS
Schedule of Sources and Disposition of General Fund Authorizations
Fiscal Years Ended September 30

	<u>2004</u>	<u>2003</u>
SOURCES OF AUTHORIZATIONS (Note 2)		
General purpose appropriations	\$ 11,720,158	\$ 12,689,900
Balances carried forward		32,870
Restricted financing sources	<u>867,322</u>	<u>1,323,673</u>
Total	<u>\$ 12,587,480</u>	<u>\$ 14,046,443</u>
DISPOSITION OF AUTHORIZATIONS (Note 2)		
Expenditures	<u>\$ 12,495,961</u>	<u>\$ 13,362,340</u>
Balances carried forward:		
Encumbrances	<u>\$ 35,000</u>	<u>\$</u>
Total balances carried forward	<u>\$ 35,000</u>	<u>\$ 0</u>
Balances lapsed	<u>\$ 56,519</u>	<u>\$ 684,102</u>
Total	<u>\$ 12,587,480</u>	<u>\$ 14,046,443</u>

The accompanying notes are an integral part of the financial schedules.

Notes to the Financial Schedules

Note 1 Significant Accounting Policies

a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the Department of Civil Rights (DCR) for the fiscal years ended September 30, 2004 and September 30, 2003. The financial transactions of DCR are accounted for principally in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

The notes accompanying these financial schedules relate directly to DCR. The *SOMCAFR* provides more extensive disclosures regarding the State's significant accounting policies; budgeting, budgetary control, and legal compliance; and pension benefits and other postemployment benefits.

b. Measurement Focus, Basis of Accounting, and Presentation

The financial schedules contained in this report are presented using the current financial resources measurement focus and the modified accrual basis of accounting, as provided by generally accepted accounting principles applicable to governments. Under the modified accrual basis of accounting, revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred; however, certain expenditures related to long-term obligations are recorded only when payment is due and payable.

The accompanying financial schedules present only the revenues and the sources and disposition of authorizations for DCR's General Fund accounts. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either DCR or the State's General Fund in conformity with generally accepted accounting principles.

Note 2 Schedule of Sources and Disposition of General Fund Authorizations

The various elements of the schedule of sources and disposition of General Fund authorizations are defined as follows:

- a. General purpose appropriations: Original appropriations and any supplemental appropriations that are financed by General Fund/general purpose revenues.
- b. Restricted financing sources: Collections of restricted revenues, restricted transfers, and restricted intrafund expenditure reimbursements to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, any amounts received in excess of the appropriation are, at year-end, either converted to general purpose financing sources and made available for general appropriation in the next fiscal year or carried forward to the next fiscal year as either restricted revenues - authorized or restricted revenues - not authorized. In fiscal year 2003-04, restricted revenues totaling \$289,513 were converted to general purpose financing sources.
- c. Encumbrances: Authorizations carried forward to finance payments for goods or services ordered in the old fiscal year but not received by fiscal year-end. These authorizations are generally limited to obligations funded by general purpose appropriations.
- d. Balances lapsed: Authorizations that were unexpended and unobligated at the end of the fiscal year. These amounts are available for legislative appropriation in the subsequent fiscal year.

SUPPLEMENTAL FINANCIAL SCHEDULES

DEPARTMENT OF CIVIL RIGHTS
Schedule of Certain General Fund Assets and Liabilities
As of September 30

	<u>2004</u>	<u>2003</u>
ASSETS		
Due from federal agencies	\$ 811,863	\$ 358,800
LIABILITIES		
Accounts payable	\$ 3,701	\$ 10,529
Deferred revenue	\$ 190,000	\$ 80,000

This schedule is not a balance sheet and is not intended to report financial position. The schedule represents certain General Fund assets and liabilities that are the responsibility of the Department of Civil Rights. This schedule does not include certain assets and liabilities that are accounted for centrally by the State, such as land, buildings, equipment, equity in common cash, cash in transit, and warrants outstanding.

DEPARTMENT OF CIVIL RIGHTS
Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit
Fiscal Year Ended September 30
(In Thousands)

	2004					
	Civil Rights Operations	Commission Per Diem	Unclassified Positions	Information and Technology	Payroll Adjustments	Total
SOURCES OF AUTHORIZATIONS						
General purpose appropriations	\$ 10,662,058	\$	\$ 254,100	\$ 804,000	\$	\$ 11,720,158
Balances carried forward						0
Restricted financing sources	867,322					867,322
Total	\$ 11,529,380	\$ 0	\$ 254,100	\$ 804,000	\$ 0	\$ 12,587,480
DISPOSITION OF AUTHORIZATIONS						
Expenditures	\$ 11,438,722	\$	\$ 222,494	\$ 727,578	\$ 107,168	\$ 12,495,961
Balances carried forward:						
Encumbrances	\$	\$	\$	\$ 35,000	\$	\$ 35,000
Total balances carried forward	\$ 0	\$ 0	\$ 0	\$ 35,000	\$ 0	\$ 35,000
Balances lapsed	\$ 90,658	\$	\$ 31,606	\$ 41,422	\$ (107,168)	\$ 56,519
Total	\$ 11,529,380	\$ 0	\$ 254,100	\$ 804,000	\$ 0	\$ 12,587,480

2003				
Civil Rights Operations	Commission Per Diem	Unclassified Positions	Information and Technology	Total
\$ 11,580,071	\$ 16,200	\$ 254,100	\$ 839,529	\$ 12,689,900
32,870				32,870
1,323,673				1,323,673
<u>\$ 12,936,614</u>	<u>\$ 16,200</u>	<u>\$ 254,100</u>	<u>\$ 839,529</u>	<u>\$ 14,046,443</u>
\$ 12,291,843	\$ 2,475	\$ 236,308	\$ 831,714	\$ 13,362,340
\$	\$	\$	\$	\$ 0
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 644,770	\$ 13,725	\$ 17,792	\$ 7,815	\$ 684,102
<u>\$ 12,936,614</u>	<u>\$ 16,200</u>	<u>\$ 254,100</u>	<u>\$ 839,529</u>	<u>\$ 14,046,443</u>

DEPARTMENT OF CIVIL RIGHTS
Schedule of Expenditures of Federal Awards (1)
For the Period October 1, 2002 through September 30, 2004

Federal Agency/Program	CFDA (2) Number	Directly Expended for the Fiscal Year Ended September 30, 2003	Directly Expended for the Fiscal Year Ended September 30, 2004	Total Expended and Distributed for the Two-Year Period
<u>U.S. Department of Housing and Urban Development</u>				
Direct Program:				
Fair Housing Assistance Program - State and Local (FHAP)	14.401	\$ 561,729	\$ 524,760	\$ 1,086,489
Total U.S. Department of Housing and Urban Development		<u>\$ 561,729</u>	<u>\$ 524,760</u>	<u>\$ 1,086,489</u>
<u>U.S. Equal Employment Opportunity Commission</u>				
Direct Program:				
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	\$ 716,300	\$ 698,753	\$ 1,415,053
Total U.S. Equal Employment Opportunity Commission		<u>\$ 716,300</u>	<u>\$ 698,753</u>	<u>\$ 1,415,053</u>
Total Expenditures of Federal Awards		<u>\$ 1,278,029</u>	<u>\$ 1,223,513</u>	<u>\$ 2,501,542</u>

(1) Basis of Presentation: This schedule includes the federal grant activity of the Department of Civil Rights and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial schedules.

(2) CFDA is defined as *Catalog of Federal Domestic Assistance*.

DEPARTMENT OF CIVIL RIGHTS
Schedule of Expenditures by Category
For the Fiscal Year Ended September 30

	<u>2004</u>	<u>2003</u>
Salaries, wages, and benefits	\$ 9,865,957	\$ 10,410,138
Travel related	124,092	159,989
Contractual and services:		
Telecommunications	200,335	227,589
Mailing and postage	114,629	120,282
Temporary employee services	128,218	239,937
Repairs and maintenance for office equipment and machines	318,967	314,049
Other miscellaneous services	38,987	88,751
Supplies and materials	133,190	119,474
Building rentals:		
State owned	1,383,826	1,407,227
Privately owned	83,101	98,019
Equipment rental, lease, and purchase:		
ADP related	21,258	98,732
Other	82,799	78,153
Other miscellaneous expenditures	602	
Total Expenditures	<u>\$ 12,495,961</u>	<u>\$ 13,362,340</u>

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INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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AUDITOR GENERAL

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Valerie P. Simmons, J.D., Chair
Civil Rights Commission
and
Linda V. Parker, J.D., Director
Department of Civil Rights
Capitol Tower Building
Lansing, Michigan

Dear Ms. Simmons and Ms. Parker:

We have audited the financial schedules of the Department of Civil Rights for the fiscal years ended September 30, 2004 and September 30, 2003, as identified in the table of contents, and have issued our report thereon dated February 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

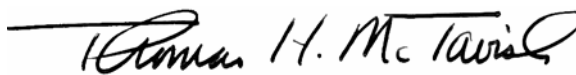
In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Civil Rights Commission, the State's management, the Legislature, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish". The signature is fluid and cursive, with a horizontal line extending from the left side of the first name.

Thomas H. McTavish, C.P.A.
Auditor General
February 23, 2005



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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

Valerie P. Simmons, J.D., Chair
Civil Rights Commission
and
Linda V. Parker, J.D., Director
Department of Civil Rights
Capitol Tower Building
Lansing, Michigan

Dear Ms. Simmons and Ms. Parker:

Compliance

We have audited the compliance of the Department of Civil Rights with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each major federal program for the two-year period ended September 30, 2004. The Department's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the previous paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with

those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Department of Civil Rights complied, in all material respects, with the requirements referred to in the first paragraph that are applicable to each major federal program for the two-year period ended September 30, 2004.

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Civil Rights Commission, the State's management, the Legislature, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish". The signature is fluid and cursive, with a long horizontal line extending from the start of the name.

Thomas H. McTavish, C.P.A.
Auditor General
February 23, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Schedules

Type of auditor's report issued:	Unqualified*
Internal control* over financial reporting:	
Material weaknesses* identified?	No
Reportable conditions* identified that are not considered to be material weaknesses?	None reported
Noncompliance or other matters material to the financial schedules?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, Section 510(a)?	No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee*? No

* See glossary at end of report for definition.

Section II: Findings Related to the Financial Schedules

We did not report any findings related to the financial schedules.

Section III: Findings and Questioned Costs* Related to Federal Awards

We did not report any findings related to federal awards.

** See glossary at end of report for definition.*

OTHER SCHEDULES

DEPARTMENT OF CIVIL RIGHTS
Summary Schedule of Prior Audit Findings
As of September 30, 2004

There were no findings in the prior Department of Civil Rights Single Audit.

DEPARTMENT OF CIVIL RIGHTS
Corrective Action Plan
As of February 23, 2005

FINDINGS RELATED TO THE FINANCIAL SCHEDULES

There were no findings related to the financial schedules for fiscal years 2002-03 and 2003-04.

FINDINGS RELATED TO FEDERAL AWARDS

There were no findings related to federal awards for the two-year period ended September 30, 2004.

GLOSSARY

Glossary of Acronyms and Terms

<i>CFDA</i>	<i>Catalog of Federal Domestic Assistance.</i>
DCR	Department of Civil Rights.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are fairly presented in conformity with the disclosed basis of accounting.
internal control	A process, effected by management, designed to provide reasonable assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
low-risk auditee	As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual Single Audit and it meets other criteria related to prior audit results. In accordance with State statute, this Single Audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.
material misstatement	A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the changes in financial position or cash flows in conformity with the disclosed basis of accounting.
material noncompliance	Violations of laws and regulations that could have a direct and material effect on major federal programs or on financial schedule and/or financial statement amounts.
material weakness	A reportable condition related to the design or operation of internal control that does not reduce to a relatively low level the risk that either misstatements caused by error or fraud in

amounts that would be material in relation to the financial schedules and/or financial statements or noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

OMB

U.S. Office of Management and Budget.

questioned cost

A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

reportable condition

A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect the entity's ability to (1) initiate, record, process, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements or (2) administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.

Single Audit

A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards

generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, a Single Audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.

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unqualified opinion

An auditor's opinion in which the auditor states that:

- a. The financial schedules and/or financial statements presenting basic financial information of the audited agency are fairly presented in conformity with the disclosed basis of accounting; or
- b. The financial schedules and/or financial statements presenting supplemental financial information are fairly stated in relation to the basic financial schedules and/or financial statements. In issuing an "in relation to" opinion, the auditor has applied auditing procedures to the supplemental financial schedules to the extent necessary to form an opinion on the financial schedules and/or financial statements, but did not apply auditing procedures to the extent that would be necessary to express an opinion on the supplemental financial schedules taken by themselves; or
- c. The audited agency complied, in all material respects, with the cited requirements that are applicable to each major federal program.

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